

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

THE STATE OF HAWAII )  
DEPARTMENT OF BUSINESS, )  
ECONOMIC DEVELOPMENT, )  
AND TOURISM )

DOCKET NO. 2014-0135

For an Order Approving the Green )  
Infrastructure Loan Program )  

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ORDER NO. 35375

CONDITIONALLY APPROVING PROGRAM NOTIFICATION NO. 12

PUBLIC UTILITIES  
COMMISSION

2018 APR - 2 P 1: 29

FILED

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CONDITIONALLY APPROVING PROGRAM NOTIFICATION NO. 12

By this Order, the State of Hawaii Public Utilities Commission ("commission") approves Program Notification No. 12,<sup>1</sup> subject to the conditions set forth herein.

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<sup>1</sup>"Program Notification No. 12 for the Green Infrastructure Loan Program; Attachment A & B; and Certificate of Service," filed on March 9, 2018 ("PN12").

I.

BACKGROUND

On March 9, 2018, the Hawaii Green Infrastructure Authority ("HGIA" or "Authority") filed PN12, proposing new uses and deployments of Green Energy Market Securitization ("GEMS") funds, for the commercial energy efficiency ("EE") sector.<sup>2</sup> The Authority proposes two new loan products, one called "Project Sponsor" - the subject of PN12 Attachment A - and one called "Direct" - the subject of PN12 Attachment B.<sup>3</sup> If the commission approves PN12, the Authority will be permitted to use GEMS funds to support loans of at least \$50,000 to nonprofit organizations, multi-family rental projects, and small businesses, for energy efficiency measures.<sup>4</sup>

On March 22, 2018, the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") filed a letter<sup>5</sup> with the commission, providing its evaluation and concerns regarding PN12.

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<sup>2</sup>The GEMS Program is fully detailed in In re State of Haw. Dep't. of Bus., Econ. Dev., and Tourism, Docket No. 2014-0135, Decision and Order No. 32318, filed on September 30, 2014 ("Program Order").

<sup>3</sup>PN12 at 4 (citations omitted).

<sup>4</sup>See PN12, Attachment A and Attachment B.

<sup>5</sup>RE: Docket No. 2014-0135 In the Matter of Application of The State of Hawaii Department of Business, Economic Development, and Tourism For an Order Approving the Green Infrastructure

The Consumer Advocate stated that it does not object to the two commercial EE loan products that HGIA proposes in PN12.<sup>6</sup> However, the Consumer Advocate recommends that if the commission approves PN12, it should impose three conditions on said approval. Specifically, the Consumer Advocate recommends that the commission require the Authority to: (1) provide additional data and documentation to clarify how the Authority will determine that businesses and/or projects are properly designated as serving an underserved market; (2) make clear the near- and long-term bill impacts for each investment, including possible near-term bill increases; and (3) work with Hawaii Energy to clarify and document, as part of their annual plans, how energy savings will be tracked to each program, and identify any areas that overlap.<sup>7</sup>

On March 27, 2018, the Authority responded to the Consumer Advocate's Letter.<sup>8</sup> The Authority addressed the Consumer Advocate's stated concerns as follows.

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Loan Program - Program Notification No. 12," filed on March 22, 2018 ("Consumer Advocate's Letter").

<sup>6</sup>Consumer Advocate's Letter at 1, 10.

<sup>7</sup>Consumer Advocate's Letter at 10.

<sup>8</sup>"RE: Docket No. 2014-0135 In the Matter of The Application of the State of Hawaii Department of Business, Economic Development and Tourism For an Order Approving the Green Infrastructure Loan Program - Program Notification No. 12," filed on March 27, 2018 ("Authority's Response").

With respect to the Consumer Advocate's first concern - the underserved designation - the Authority states that it has not yet determined whether it will designate any "small business customers" or "for-profit apartment building owners as part of the underserved segment."<sup>9</sup> The Authority further states that if it designates as underserved any small business customers or for-profit apartment building owners, it will explain in future quarterly reports "why or under what circumstances these entities should be considered underserved."<sup>10</sup>

With respect to the Consumer Advocate's second concern - the potential for near-term bill increases - the Authority states that it will inform "borrowers/participants of possible reduced savings or even increases in payments before longer run savings are realized, on a case-by-case basis, as may be applicable."<sup>11</sup>

With respect to the Consumer Advocate's third concern - collaboration with Hawaii Energy - the Authority states that it agrees with the Consumer Advocate and that the Authority and Hawaii Energy are scheduled "to begin discussions on

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<sup>9</sup>Authority's Response at 1.

<sup>10</sup>Authority's Response at 1.

<sup>11</sup>Authority's Response at 1.

April 3, 2018" and that the Authority will inform the commission of the result of this collaboration in future quarterly reports.<sup>12</sup>

## II.

### FINDINGS AND CONCLUSIONS

The Program Order approved the GEMS Program, and set forth the minimum requirements for Program Notifications. The commission finds that PN12 meets the minimum requirements set forth in the Program Order, subject to the following conditions.

In the Program Order, the commission stated: "[a] primary objective of the GEMS Program is to increase access to low-cost financing for that portion of the population that has typically been underserved when it comes to financing green infrastructure and related equipment."<sup>13</sup> The commission further found that the GEMS Program must assist the underserved while simultaneously deploying the right mix of loans to ensure the GEMS Program's viability.<sup>14</sup>

Based on these principles, the commission finds that the Consumer Advocate's first concern - regarding the underserved designation - is valid. Therefore, the commission further finds

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<sup>12</sup>Authority's Response at 2.

<sup>13</sup>Program Order at 52 (citation omitted).

<sup>14</sup>Program Order at 55.

that the Authority must clearly articulate valid and reasonable criteria for an underserved designation, before designating any loan or project issued under PN12 as serving the underserved. In developing such criteria, including determining what data and documentation is necessary, the commission urges the Authority to collaborate with other interested stakeholders, especially the Consumer Advocate.

The commission observes that PN12 is different from other GEMS Programs because, although a ten percent minimum projected energy savings is required, "[a]ctual bill savings may not be immediate and there may be possible increases in payments before longer term life of the system savings are realized."<sup>15</sup> The Consumer Advocate is therefore correct that the Authority must "make clear to all participants and borrowers the expected near-term and long-term bill impacts of candidate investments" so that borrowers and participants are "fully aware of the expected costs and benefits of specific investments and how they may change over time. . . ." <sup>16</sup> In response to this concern, the Authority assures the commission that it will inform "borrowers/participants of possible reduced savings or even increases in payments before longer run savings are realized, on a case-by-case basis, as may

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<sup>15</sup>See PN12, Attachment A and Attachment B.

<sup>16</sup>See Consumer Advocate's Letter at 10.

be applicable.”<sup>17</sup> This assurance is helpful, but not sufficiently clear. The decision to borrow or participate cannot be fully informed unless the Authority provides such information before the decision is made. Therefore, the Authority must inform potential borrowers and participants of possible reduced savings or bill increases before they commit to becoming borrowers or participants.

Finally, the commission shares the Consumer Advocate’s concern that the Authority must coordinate with Hawaii Energy to ensure that they do not duplicate their efforts in commercial energy efficiency. The Authority states it will begin these discussions with Hawaii Energy on April 3, 2018, and that the Authority will inform the commission regarding the result of this collaboration in future quarterly reports.<sup>18</sup> This is a good first step – however, the Authority’s collaboration with Hawaii Energy must be ongoing to ensure that savings are not double counted or underreported. Therefore, the commission directs the Authority to collaborate with Hawaii Energy, on an ongoing basis, to ensure that the energy savings associated with the GEMS commercial energy efficiency programs are clearly and accurately documented and reported by Hawaii Energy.

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<sup>17</sup>Authority’s Response at 1.

<sup>18</sup>Authority’s Response at 2.

Accordingly, the commission finds that PN12 should be approved, subject to the conditions provided in this Order.

III.

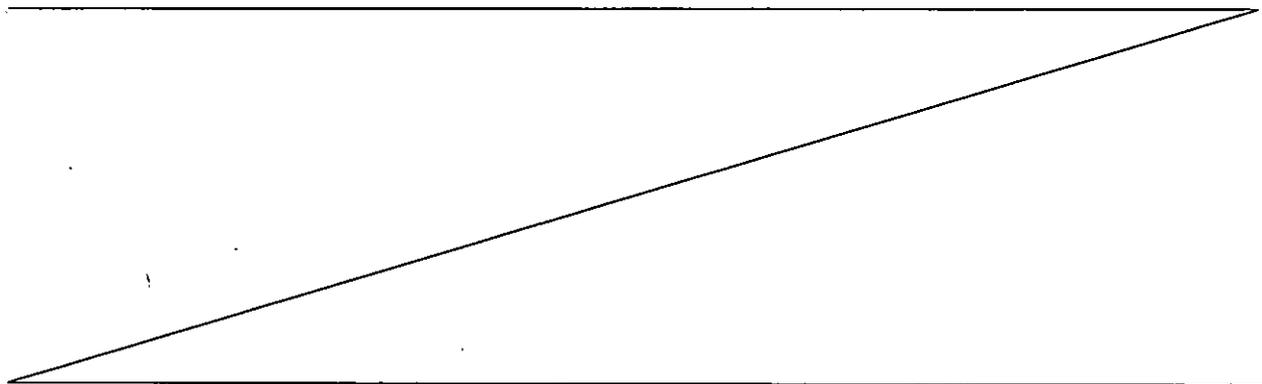
ORDERS

THE COMMISSION ORDERS:

1. The Authority must clearly articulate valid and reasonable criteria for an underserved designation, before designating any loan or project issued under PN12 as serving the underserved.

2. The Authority must inform potential borrowers and participants of possible reduced savings or bill increases before they commit to becoming borrowers or participants.

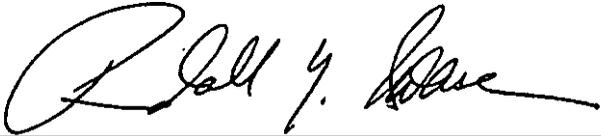
3. The Authority must make ongoing efforts to collaborate with Hawaii Energy to ensure that the savings associated with the GEMS commercial energy efficiency programs are clearly and accurately documented and reported by Hawaii Energy, and that savings are not double counted or underreported.

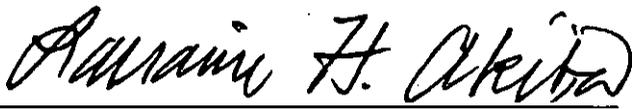


4. Program Notification No. 12 is approved, subject to the conditions stated herein.

DONE at Honolulu, Hawaii APR - 2 2018

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Randall Y. Iwase, Chair

By   
Lorraine H. Akiba, Commissioner

By   
James P. Griffin, Commissioner

APPROVED AS TO FORM:

  
Mike S. Wallerstein  
Commission Counsel

2014-0135.ljk

CERTIFICATE OF SERVICE

The foregoing Order was served on the date of filing by mail,  
postage prepaid, and properly addressed to the following parties:

DEAN NISHINA  
EXECUTIVE DIRECTOR  
DIVISION OF CONSUMER ADVOCACY  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
P.O. Box 541  
Honolulu, HI 96809

RUSSELL A. SUZUKI  
ATTORNEY GENERAL OF HAWAII  
DEBORAH DAY EMERSON  
GREGG J. KINKLEY  
DEPUTY ATTORNEYS GENERAL  
DEPARTMENT OF THE ATTORNEY GENERAL  
STATE OF HAWAII  
425 Queen Street  
Honolulu, HI 96813

DANIEL G. BROWN  
MANAGER-REGULATORY NON-RATE PROCEEDINGS  
HAWAIIAN ELECTRIC COMPANY, INC.  
HAWAII ELECTRIC LIGHT COMPANY, INC.  
MAUI ELECTRIC COMPANY, LTD.  
P.O. Box 2750  
Honolulu, HI 96840-0001

RICK REED  
DIRECTOR  
HAWAII SOLAR ENERGY ASSOCIATION  
P.O. Box 37070  
Honolulu, HI 96837

HENRY Q. CURTIS  
VICE PRESIDENT FOR CONSUMER ISSUES  
LIFE OF THE LAND  
P.O. Box 37158  
Honolulu, HI 96837-0158

Certificate of Service

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MELISSA MIYASHIRO  
CHIEF OF STAFF  
BLUE PLANET FOUNDATION  
55 Merchant Street, 17<sup>th</sup> Floor  
Honolulu, HI 96813